FirstGroup plc

Results for the 52 weeks to 27 March 2021

Tuesday 27 July 2021

Agenda

1. Overview
2. Sale of First Student and First Transit
3. Financial review
4. Business review

First

A landmark year of delivery…

- Key strategic objective completed – portfolio rationalised with sale of First Student and First Transit
- Resilient financial performance was significantly ahead of initial expectations
- Acted quickly to protect Group's financial stability; generating cash despite lower volumes due to travel restrictions
- Continued to deliver vital travel services for our customers and communities during the pandemic
- Working with our industry and Government, we are helping to shape the future of public transport in the UK
- Autumn 2021 proposed return of value increased to £500m (c.41p per share) from £365m
- Potential for further additional distributions to shareholders in due course

...resulting in a transformed company, well-set for the future

- **UK public transport leader with sustainable, profitable growth prospects:**
  - First Bus: most supportive policy/funding backdrop in decades and clear path to deliver 10% margin
  - First Rail: balance of risk and reward transformed with the end of old revenue risk-based franchising model
  - Renewed focus on capturing incremental growth opportunities adjacent to core bus and rail operations
  - Wider environmental, social and economic contributions remain at the heart of the public transport business model
  - Encouraged by improving bus passenger volumes as UK reopens

- **Simplified and strong balance sheet and a cash generative operating model:**
  - Well-capitalised, c.£100m pro forma net debt, no longer encumbered by pension deficit repayments or any significant contingent liabilities
  - Plans support regular dividends commencing in 2022, alongside our zero-emission fleet investment commitments

Agenda

1. Overview
2. **Sale of First Student and First Transit**
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Sale of First Student and First Transit – update

- **Sale to EQT Infrastructure approved by shareholders in May, completed on 21 July**
- **Majority of outstanding debt has already been repaid, or will be repaid after required notice periods have elapsed**
- **Proposed return of value to shareholders increased – now £500m (equivalent to c.41p per share) from £365m**
  - Reflects agreement of final rail franchise termination sums and NRCs, increase in net sale proceeds resulting from final adjustments for working capital and debt and debt-like items, and improving cash flow expectations for the ongoing Group
  - Return of value to be executed in the autumn; distribution mechanism to be announced in due course in consultation with shareholders
- **Potential for further additional distributions to shareholders in due course from the following:**
  - First Transit earnout – Group to receive up to $240m in July 2024 or sooner if sold before ($140m carrying value in accounts)
  - Exit de-risked Greyhound, resolution of its liabilities
  - Capacity to increase gearing over time, as end market conditions and hence business performance improves
  - Pension escrow release (up to £117m)
- **First Student and First Transit performance**
  - Both businesses delivered resilient financial results, demonstrating their industry leadership
  - Continued to build their businesses for the future – First Transit awarded 20 new business wins in the year

First

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Financial summary – continuing operations

- **£101.9m adjusted operating profit from continuing operations was in line with our expectations for these divisions:**
  - Reflects governments' procurement of service capacity to enable socially distanced travel
  - First Rail earnings increased, reflecting full year of Avanti contract and settlement of historical claims in GWR
  - Substantial fixed cost savings, particularly in Greyhound
- **Net debt and cash flow stronger than initially expected, strong liquidity preserved:**
  - Capex discipline – customer commitments maintained, with deferrals or leasing where appropriate
  - £109.5m in property proceeds, principally in Greyhound
- **All rail franchise termination sums now agreed; two new National Rail Contracts (NRCs) signed so far**
- **Balance sheet well-capitalised following the First Student and First Transit sale**
- **Expect to build momentum in current financial year, providing a solid foundation for delivering financial framework objectives – including payment of regular dividends – commencing in FY23**

Financial summary

Resilient financial performance despite the pandemic restrictions

£m	FY21	FY20	Change	Change in CCy ex-Avanti[1]
Revenue – continuing operations	**4,641.8**	4,642.8	(1.0)	(12.9)%
Adjusted[2]				
- Operating profit – continuing operations	**101.9**	69.7	+32.2	+30.3%
- Margin % – continuing operations	**2.2%**	1.5%	+70bps	+90bps
- Operating profit – discontinued operations	**107.5**	187.1	(79.6)	
- Net finance costs	**(170.0)**	(146.9)	+23.1	
- Profit before tax	**39.4**	109.9	(70.5)	(76.0)%
- Effective tax rate %	**10.7%**	22.4%		
- Attributable profit	**29.1**	82.7	(53.6)	(71.3)%
- EPS p	**2.4p**	6.8p	(4.4)p	(4.3)p
Adjusting items	**76.4**	(409.5)	+485.9	
Statutory operating profit/(loss)	**285.8**	(152.7)	+438.5	
Rail-adjusted Profit After Tax	**18.2**	n/a	n/a	
Adjusted net debt[3]	**1,414.3**	1,490.9	(76.6)	

[1] Change in constant currency ('CCy') is based on retranslating 2020 foreign currency amounts at 2021 rates
[2] Before net adjusting items described on p.34
[3] 'Adjusted net debt' is bonds, bank and other debt net of free cash (i.e. excludes IFRS 16 lease liabilities and First Rail ring-fenced cash)

UK divisions operated under contract throughout the year

Government established a series of arrangements to procure essential bus and rail services, which otherwise would have ceased given reduced demand following travel restrictions and social distancing

First Bus

- Passenger revenue (66)%, mitigated by CBSSG and related schemes, continuation of concession and tender funding
- Recoverable costs under the schemes include all reasonable operational costs and depreciation, pension funding and debt finance costs allocatable to English local bus services
- £3.0m fixed cost efficiencies in year

£m	FY21	FY20	Change in CCy[2]
Revenue	**698.9**	835.9	(137.5)
Adj. operating profit[1]	**36.6**	46.1	(9.6)
Margin %	**5.2%**	5.5%	(30)bps

First Rail

- Throughout the year our Train Operating Companies (TOCs) provided service under emergency agreements put in place by Government
- Contracted Rail net attributable earnings is Group's share of contracted rail fee income available for dividend distribution – key driver of Rail TOC economics for the Group
- New contract structure means the 84% reduction in like-for-like passenger revenue has no impact on fee income
- Rail adj. op profit in the FY accounts also reflects:
  - +£15.3m incremental contribution from Avanti
  - +£15.6m settlement of historical claims, mainly GWR
  - £(10.2)m loss from Hull Trains open access due to closures in the year

£m	FY21	FY20	Change excl. Avanti
Revenue	**3,619.9**	3,203.7	(150.2)
Adj. operating profit[1]	**108.1**	70.4	+22.4
Contracted Rail net attributable earnings	**42.3**	n/a	

[1] Before net adjusting items described on p.34
[2] Based on retranslating 2020 foreign currency amounts at 2021 rates

Non-core operations: Greyhound

Greyhound's performance in year supported by property sales and grants to fund intercity bus services

$m	FY21	FY20	Change
Revenue	**422.6**	766.0	(343.4)
Adj. operating (loss)[1]	**(12.1)**	(15.3)	(3.2)
Margin %	**(2.9)%**	(2.0)%	(90)bps

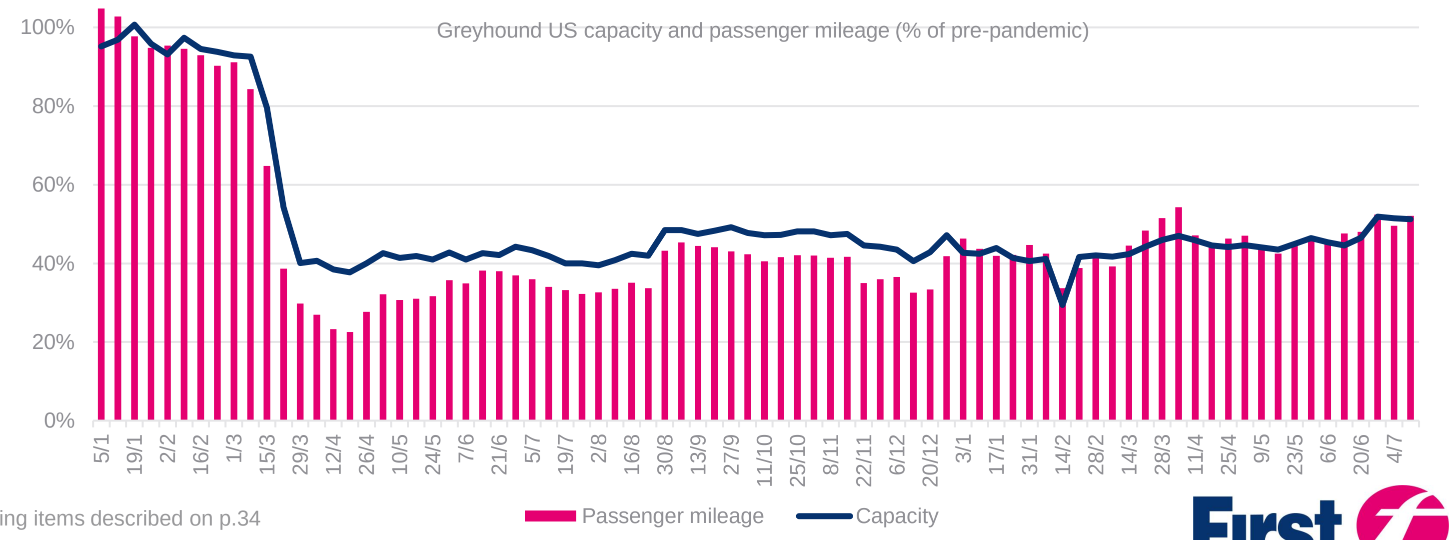
$m	Revenue	Adj. op profit[1]
Total division FY20	**766.0**	**(15.3)**
Excl. Canada FY20	(45.0)	0.4
US only FY20	**720.9**	**(14.9)**
Revenue reduction	(420.7)	(420.7)
5311(f) funding	+122.1	+122.1
Drivers and fuel	-	+112.4
Maintenance, insurance, depreciation and other	-	+142.4
Fixed cost savings	-	+60.4
US only FY21	**422.3**	**1.8**
Canada FY21 incl. closure costs	0.3	(13.9)
FY21	**422.6**	**(12.1)**

Financial performance

- US passenger revenue declined by 59%; mitigated by 5311(f) grants, variable cost reductions, $60m in fixed cost savings and yield enhancement actions
- US operations were break-even in FY21; further grant funding in place for FY22
- Canadian ops suspended following US border closure; now permanently closed

Strategy

- $140m realised from property sales in year; continue to actively manage remaining property portfolio ($78.6m book value)
- Legacy pension and insurance to be de-risked with Student and Transit proceeds
- Exit of Greyhound likely to conclude as visibility on passenger volumes increases



[1] Before net adjusting items described on p.34

Group cash flow

Adjusted net debt reduced by £77m, reflecting actions taken to maintain liquidity and financial strength despite passenger volume reductions

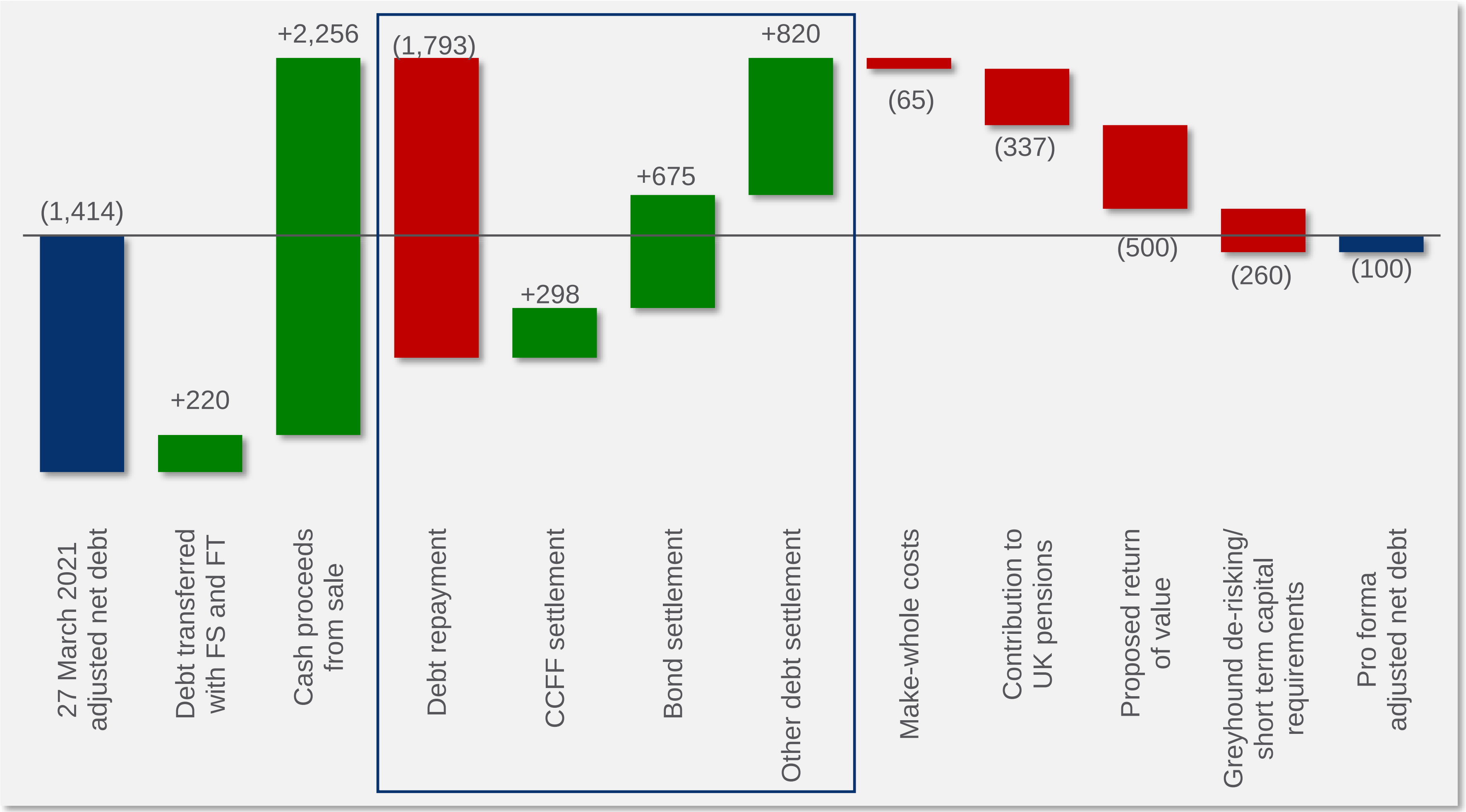
- Group cash flow after capex and pre-finance costs was positive, a strong performance given the pandemic and ahead of our expectations at start of year
- First Bus affected by timing of c.£70m CBSSG settlement from DfT, expected in first half of FY22
- Rail cash flows to the Group[2] comprise dividend receipts from TOCs and cash flow from non-TOCs
- Greyhound cash flow included £103.1m in property proceeds partially offset by timing of £48.5m in 5311(f) funding receipts, expected in FY22
- First Student and First Transit reflects capex deferrals and working capital inflows related to pandemic response. Adjustments for these items were reflected in the agreed net sale proceeds
- Foreign exchange gain in part reflects the hedging strategy put in place for the net sale proceeds

£m	Adjusted net debt	*First Rail ring-fenced cash*	*IFRS 16 leases*	*Statutory net debt*
Net debt at 28 Mar 2020 (restated)[1]	**(1,491)**	***612***	***(2,382)***	***(3,261)***
Cash generation by division:				
- First Bus	**(21)**	*-*	*-*	*(21)*
- First Rail	**39**	*26*	*-*	*65*
- Greyhound	**9**	*-*	*-*	*9*
- First Student and First Transit	**109**	*-*	*-*	*109*
- Group items	**(19)**	*-*	*-*	*(19)*
Total divisional cash generation	**117**	*26*	*-*	*143*
Interest, tax and exceptionals	**(93)**	*-*	*-*	*(93)*
Foreign exchange	**53**	*-*	*25*	*78*
IFRS 16 lease movements	**-**	*-*	*507*	*507*
Reduction in net debt	**77**	*26*	*532*	*635*
Net debt at 27 Mar 2021	**(1,414)**	***638***	***(1,850)***	***(2,626)***

[1] Net debt has been restated and decreased by £17.2m at 1 April 2020 as balances relating to companies under the control of First Transit had not been recognised in prior periods
[2] Excludes First Rail ring-fenced cash

Well-capitalised balance sheet post-sale

c.£100m pro forma net debt[1], no longer encumbered by pension deficit repayments in US or UK, or any significant contingent liabilities



Cash proceeds plans

- Settle £298m in CCFF and £1.5bn in bonds and other debt, incurring £65m in make-whole costs
- UK pensions contribution of £220m in cash and £117m transferred into escrow
- £500m proposed return of value
- $197m (£143m) in Greyhound pension and insurance de-risking expected in FY22, with some deferral of some insurance payments into FY23 as claims mature

[1] 'Adjusted net debt' basis i.e. excluding IFRS 16 lease liabilities and First Rail ring-fenced cash

Outlook and financial framework

Expecting to build momentum in current financial year, providing a solid foundation for delivering financial framework objectives – including commencing regular dividends – during FY23

FY22	▪ First Bus: contribution dependent on timing of withdrawal of social distancing restrictions and pace at which passenger volumes build back ▪ First Rail: performance driven by fees from contractual arrangements in place (no revenue risk) ▪ Greyhound: expected to exceed FY21 contribution in light of recent passenger volume trajectory ▪ Other: central costs c.£5m lower reflecting sale completion approx. mid-year; interest c.£100m; 19% UK corporation tax rate
FY23+ revenue	▪ First Bus: planning for a range of post-pandemic scenarios; central case envisages passenger volumes recover to c.80–90% of pre-pandemic levels during first twelve months after social distancing restrictions on public transport end, with further growth thereafter ▪ First Rail: opportunities to build on the base business of four contracted operations with no revenue risk
FY23+ profitability	▪ First Bus: targeting a 10% margin in the first full financial year after social distancing restrictions on public transport end (FY23 on current UK plans) ▪ First Rail: profitability driven by delivering against performance targets under the NRCs while adding earnings in adjacent rail opportunities ▪ Other: central costs c. £10m+ p.a. lower from FY23; interest c.£50m p.a. (of which c.60% IFRS16); UK tax rate (19% increasing to 25% in FY24)
Investment	▪ First Bus: c.£90m per annum from FY22, mainly driven by zero-emission bus fleet commitments ▪ First Rail: expected to continue to be cash capital-light under the NRCs
Leverage	▪ Targeting less than 2.0x adjusted net debt: Rail-adjusted EBITDA[1] in the medium term
Dividend policy	▪ Intention to pay regular dividends to shareholders commencing during FY23 ▪ Targeting annual dividend around 3x covered by Rail-adjusted Profit After Tax, assuming normalisation of trading conditions post-pandemic

[1] See Appendix page 28 for definition of new rail-adjusted EBITDA and Profit after Tax measures

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First

Public transport is a critical enabler of society's goals

Significant opportunities for our bus and rail operations as the UK looks to 'build back better'

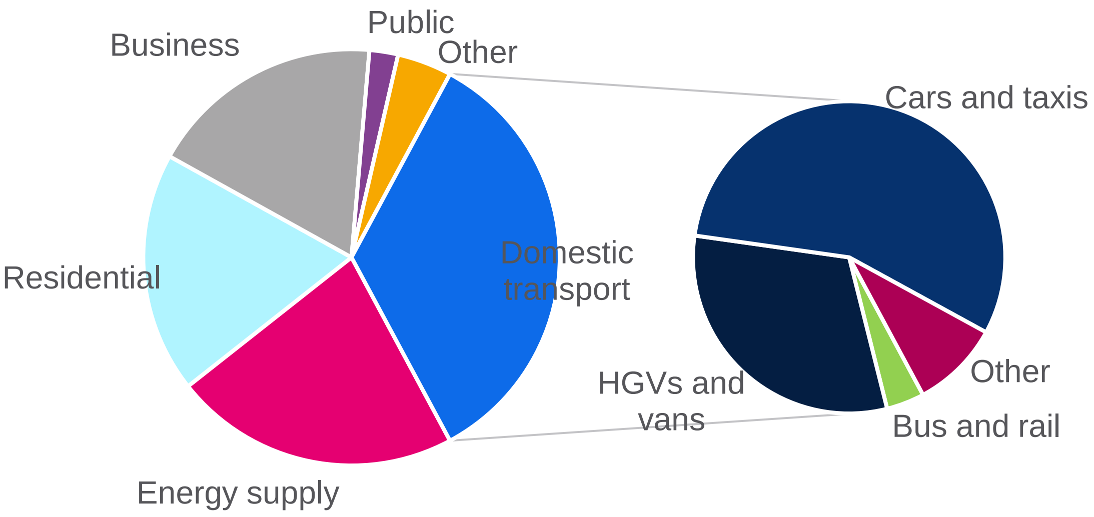
Trends	Our role in delivery
Climate change	▪ Reducing environmental impact by facilitating modal shift from cars to buses and trains ▪ Transition our own vehicles to low- and zero-emission solutions
'Levelling up' and economic recovery	▪ Public transport is integral to meeting economic growth agenda, particularly for 'left behind' towns, cities and regions ▪ Buses are cost-effective means to expand the interconnectivity and scale of communities and address city centre decline

Liveable cities	▪ Satisfy growing demand for urban transport solutions that:
	  ▪ Improve air quality / reduce emissions
	  ▪ Respond to congestion and increasing costs of motoring

'Green industrial revolution'	▪ Support UK Government's objectives for green jobs and services:
	  ▪ Opportunities for our own employees
	  ▪ Enhance public transport industry supply chain

Smarter customer solutions	▪ Increase passenger convenience – multi-modal ticketing, travel info, mobile, contactless options ▪ Maintain efficient and value for money services

Largest source of UK GHG emissions is transport, mainly from cars and taxis – government is targeting significant reductions through modal shift to public transport[1]



As a public transport provider we make a positive impact on six UN Sustainable Development Goals (SDGs):

[1] Source: ONS, Department for Transport (2019 data)

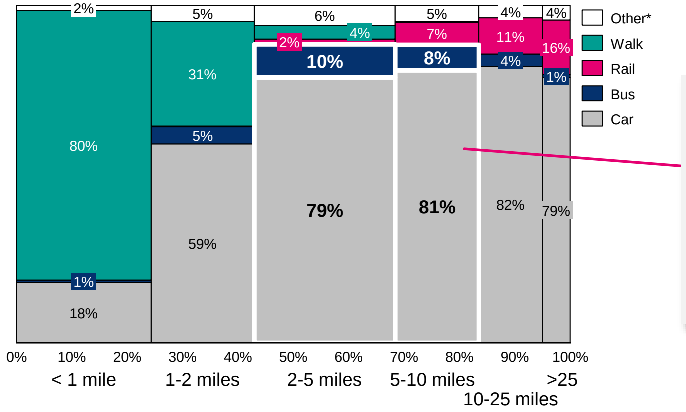
First

First Bus: a regional bus market leader

Macro and policy backdrop increasingly supportive of greater bus usage, in an industry heavily operationally levered to passenger numbers

Huge opportunity to increase bus volumes with only small changes to car use…

UK trips by distance and type, 2019



Modal shift impact

A 1% switch from car trips in the 2-10 mile range to bus would increase total bus trips by 6.2%

… and the National Bus Strategy (NBS) in England and similar schemes provide strongest policy tailwinds in decades to catalyse this modal shift

- £3bn in funding in current Parliament, focused on increasing bus use and reducing emissions
- Support for 4,000 zero-emission buses and bus lanes, information systems and other measures to reduce congestion, increase punctuality and improve passenger experience
- Local authorities obligated to co-operate with operators to improve services in their areas
- Equivalent bus priority and zero-emissions funding schemes in Scotland are proportionally even more significant

First Bus

- Second largest regional bus operator, serving two thirds of the UK's 15 largest conurbations
- A leading operator in majority of its markets, including major urban areas such as Glasgow, Bristol and Leeds

c.20% share of UK regional bus market

£699m FY21 revenues

Janette Bell
MD First Bus

*Other: includes cycling, taxi, tram
Source: National Travel Survey data 2019

First

National Bus Strategy update and other bus schemes

We are beginning to benefit from national governments' ambitious plans to strengthen the economic, environmental and social impact that vibrant bus networks can have on local areas

£3bn English National Bus Strategy – latest timeline

- **Jun 2021: Most Local Transport Authorities (LTAs) confirm plans for Enhanced Partnerships** – only Greater Manchester (4% of First Bus revenue) solely committed to franchising
- **Jul 2021: DfT announces £227m transitional funding –** to reinforce bus services as passenger numbers rebuild and the industry moves from CBSSG scheme to commercial model
- **Jul 2021: fast-track Zero Emission Bus Regional Areas (ZEBRA) bid shortlist announced** – incl. First Bus in Leicester – other ZEBRA bids pending for later in the year
- **31 Aug 2021: CBSSG scheme ends; transitional funding commences**
- **By end Oct 2021: Bus Service Improvement Plans ready** – These are the LTA blueprints for delivering the improvements envisaged by NBS – we are working with LTAs to help design them in our local areas
- **By 1 Apr 2022: Enhanced Partnerships to come into effect –** Binding agreements negotiated between LTAs and bus operators to deliver improved services, in part by deploying NBS funds

Scottish National Transport Strategy

- Ambition to reduce car use by 20% by 2030
- £500m Bus Partnership Fund supports LTAs to deliver bus priority infrastructure to tackle congestion in partnership with operators
- Plans to roll out concessionary fares for all under-22's
- Scottish Ultra-Low Emission Bus scheme (SULEBS) supports purchase of new ultra low-emission buses and related infrastructure
- First Glasgow has been the most ambitious and successful operator to date under SULEBS, securing more than £37m in capital and operational funding to support investment in 148 electric buses

Wales Transport Strategy 2021

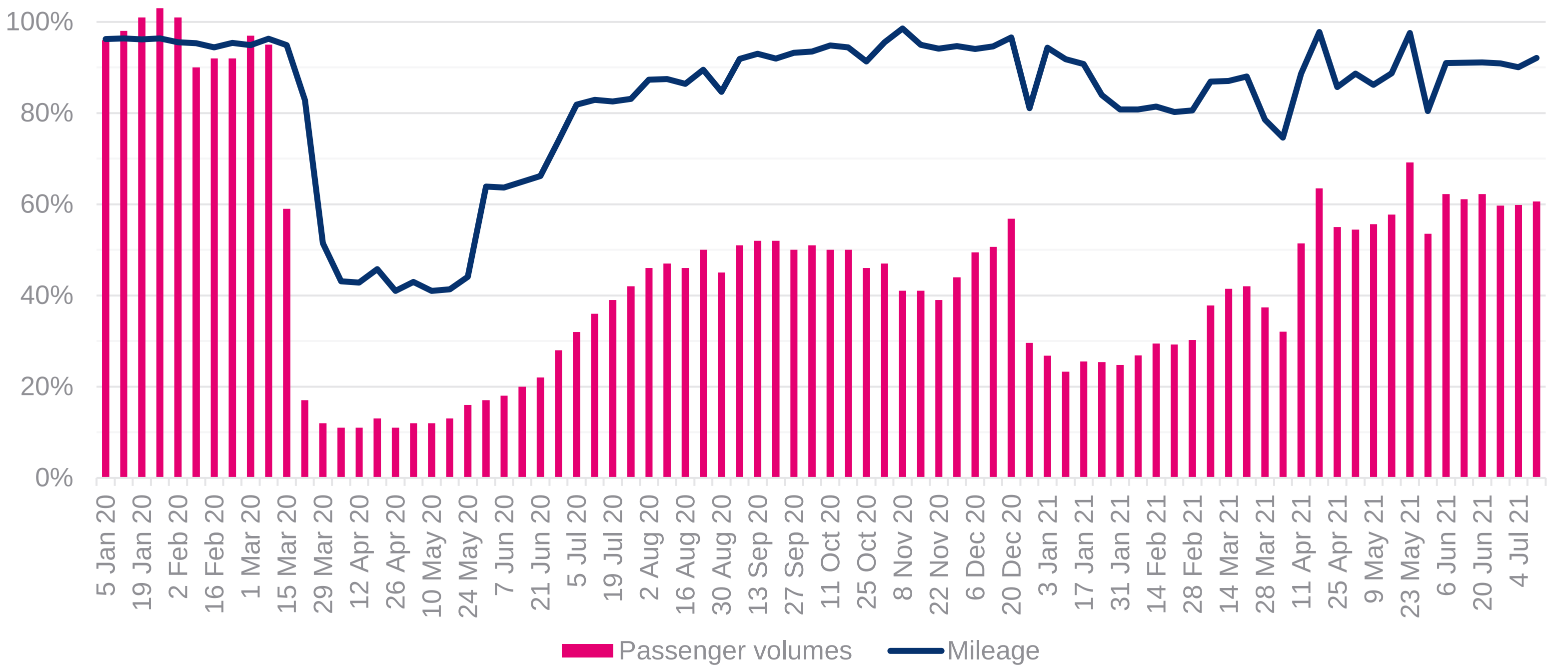
- Ambition for stable and coherent bus network, integrated with other public transport modes, that is reliable, affordable, flexible, easy to use, low-carbon and encourages modal shift from cars
- Welsh Government currently working on detailed strategy to deliver on stated objectives

First Bus: encouraging demand trends

Bus passenger volumes have returned rapidly when government travel guidance has permitted

First Bus passenger volumes are already rebuilding…

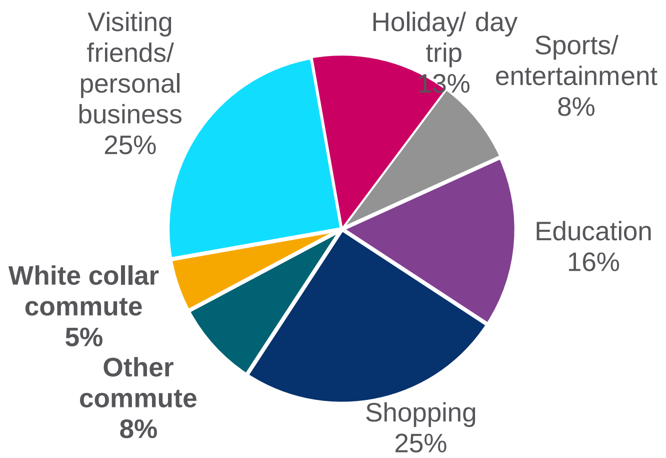
Mileage and volumes as % of pre-pandemic



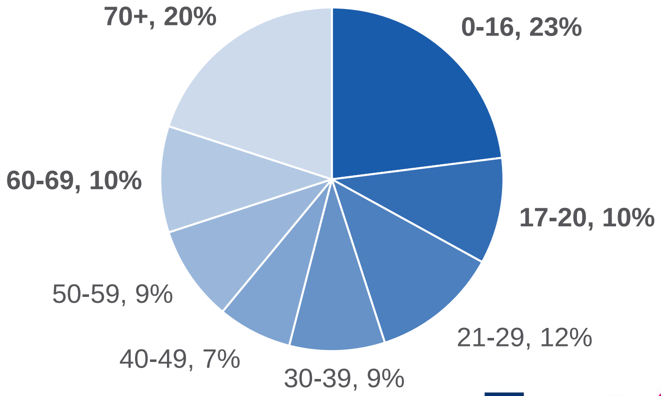
- Current First Bus passenger volumes c.60% of pre-pandemic levels on average, with 67% in some areas
- Expecting longer term visibility to increase in coming months – particularly once the new academic year gets underway in September

… with increased working from home unlikely to affect the majority of bus users

First Bus trips by journey purpose (survey data)



Share of UK regional bus users by age, 2019



Sources: ONS, National Transport Survey; First Bus volume and mileage data (excludes Aircoach airport business in Ireland)

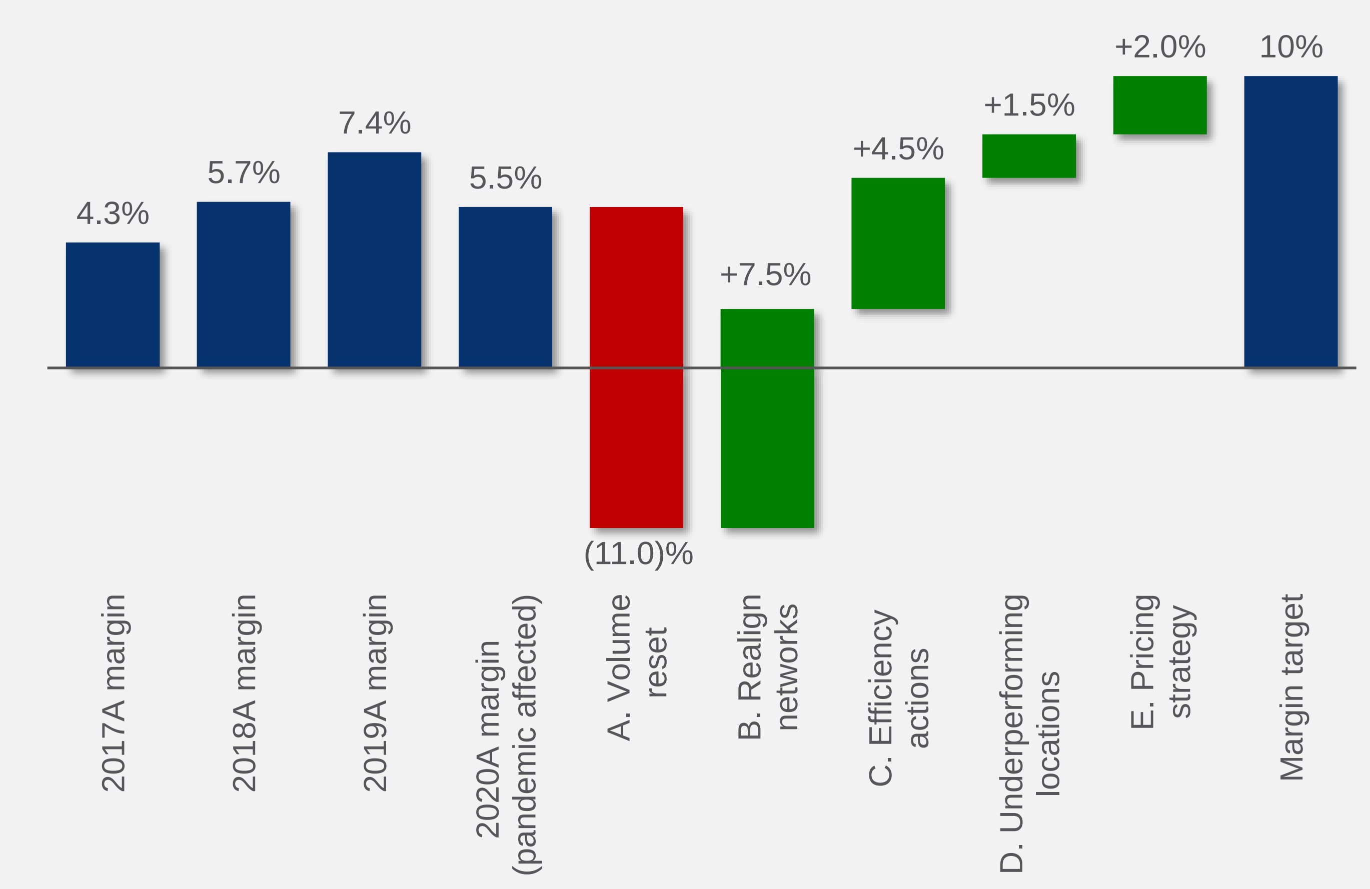
Ready to complete trajectory to 10% margin

Progress was interrupted by the pandemic – but the transformation underpinning it has continued

Key drivers of margin improvement in addition to operating leverage:

- **A. Near-term passenger volume reset:**
  Planning assumption is 80-90% of pre-pandemic levels during first year after social distancing restrictions end
- **B. Realign networks post-pandemic:**
  Plans in place to reshape routes, will flex to align with observed demand – benefitting from data investments
- **C. Efficiency actions underway pre-pandemic:**
  Operational and engineering efficiencies in place, as well as £3m in fixed overhead savings
- **D. Resolve underperforming locations:**
  Future demand may no longer support commercial operations on some routes – secure LTA support or reconfigure
- **E. Data-driven pricing strategy:**
  More personalised and agile pricing strategy, assisted by growth of contactless/online tickets

Targeting 10% margin in first full financial year after social distancing restrictions on public transport end



First Bus is changing

We are already leading the way on the transformation of the industry to zero emissions…

First Bus will not purchase further diesel buses after
2022

First Bus is committed to operating a zero-emission fleet by
2035

- **Process underway to transition fleets, depots and engineering capabilities to low- and zero-emission solutions:**
  - Just under half of the fleet now EURO VI compliant or better
  - Of these, 23% now qualify as low-[1] or zero-emissions vehicles
- **Becoming a partner of choice for local authorities, governments and supply chain as technology continues to develop:**
  - Introduced world's first hydrogen-powered double-decker buses in Aberdeen
  - Double-deckers added to UK's largest fleet of Park&Ride electric vehicles (EVs) in York
  - Operating c.100 biomethane bus fleet in Bristol
  - Partnering with Arrival to trial their unique vertically integrated electric bus technology
  - Engaging with local authorities to implement statutory Enhanced Partnerships and to secure new electric vehicle funding under the NBS

Case study: Glasgow Caledonia electrification

- Will be the UK's largest EV charging hub
- Up to 162 buses recharging at a time
- First phase in place by the UN COP26 Climate Change Conference in Glasgow in Nov 2021
- 150 new electric buses in Glasgow by FY23
- Supported by Scottish Ultra-low Emission Bus scheme and other funding

…and additional opportunities are opening up in our core and adjacent bus markets

B2B contracted buses

- First Bus is currently a leader in rail replacement and events, with c.7% of £1.4bn addressable market
- Approach reorganised to focus on capturing further opportunities
- Enhances fleet asset utilisation at attractive margins

Mobility as a Service (MaaS)

- Integrated ticketing across multiple operators and modes
- Well positioned to develop solutions thanks to collaboration with First Transit

Other nascent opportunities

- Third party EV charging
- Demand responsive transport (DRT)
- Autonomous vehicles

[1] Diesel or biomethane powered bus with at least 30% carbon saving versus a standard diesel alternative

First

First Rail: the leading passenger rail operator

With decades of experience and expertise, we are well-placed to thrive under the new UK rail model

New National Rail Contracts have a better balance of risk and reward…

- Concession-type structure – no passenger volume/revenue risk
- Fixed fee for service delivery
- Performance-based fee opportunity, based mainly on passenger-focused metrics
- Limited contingent capital risk
- Much clearer and more predictable earnings streams than in the past

.. and the UK Government's longer term plans also play to our strengths:

- Longer contracts
- Service delivery for passengers incentivised (not revenue)
- Stakeholder management
- 'Safe pair of hands' helping passengers through infrastructure upgrade work

First Rail

- UK's largest rail operator, many years experience running all types of passenger rail
- Four DfT-contracted operations – GWR, SWR, TPE, West Coast Partnership (Avanti West Coast and HS2 shadow operator) – and two open access routes (Hull Trains and East Coast from later in 2021)

27%
share of UK passenger rail revenues

£3.6bn
FY21 revenues

Steve Montgomery
MD First Rail

First

Clarity increasing on our core rail portfolio over the coming years

First Rail has operated 20% of the UK passenger rail market by revenue since 2007 on average, and currently has a c.27% market share

First Rail operations	Status	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32
South Western Railway (SWR)	National Rail Contract (NRC) AGREED to May 2023, with extension up to May 2025											
TransPennine Express (TPE)	NRC AGREED to May 2023, with extension up to May 2025											
Great Western Railway (GWR)	EMA extended to 12 December 2021; NRC TO BE AGREED											
West Coast Partnership (Avanti)	ERMA to 31 Mar 2022; NRC TO BE AGREED, potential to last up to March 2032											
Hull Trains open access	Currently operating, licensed to operate to December 2032 (recently extended by three years)											
East Coast open access	Launching later in 2021; licensed to operate to May 2031											
Other development opportunities	evo-rail 5G WiFi partnership, multi-operator contact centre, rail consultancy											

Substantial fee pool available going forward based on our incumbent operations

- National Rail Contracts – fixed fee equivalent to c.0.5% of pre-pandemic costs on average, plus performance-based fee of up to 1.5%
- Performance-based fees based on: operational performance (e.g. punctuality), customer satisfaction, finance and business management
- Mix of quantitative metrics and qualitative assessments – middle rating results in c.2/3 of performance-based fee being payable
- Contractual opportunities for additional incentive fees for industry projects e.g. TPE project delivery expertise for TransPennine Route Upgrade

Taking rail forward

Building on the core operations, our scale and experience provides additional opportunities for profitable growth

evo-rail 5G onboard Wi-Fi

- Track to train connectivity solution developed by First Rail and strategic partner BluWireless Technology
- 5G technology infrastructure to enable rapid and reliable internet connectivity on the railways
- First solution of its kind in operation; rolling out on SWR and Avanti in 2021
- Potential addressable market worldwide assessed as >£1bn
- Attractive economics possible as a turnkey provider or through licencing

East Coast open access

- Low-cost, single-class of service connecting London, north-east England and Edinburgh
- Objective to increase share of travellers using more environmentally friendly rail over flying
- First service of the day from London arriving in Edinburgh by 10am, one hour earlier than is possible now
- 5 trains a day, c.£35m+ revenue p.a. expected from FY24
- Operations launch later in the year

Integrated passenger contact centre

- Bespoke contact centre for several First Rail ops
- Higher customer satisfaction and cost efficiency vs. outsourcing
- Potential third party opportunities

Mistral Data: First Rail-developed analytics system

- Supply to other TOCs to improve customer service, commercial and operational delivery

Rail consulting

- Building on HS2 experience/credentials

First Rail is also playing its part in meeting the challenges of climate change

First Rail committed to support DfT's goal to remove all diesel-only trains from service by

2040

- 73% of First Rail's passenger kilometres already powered by electric traction
- GWR recently taken delivery of UK's first tri-mode train which can use overhead wires, third rail or diesel power
- 5 purpose-built Hitachi electric intercity trains to be leased for East Coast open access operation
- 13 electric and 10 bi-mode trains arriving FY23 for Avanti services

First

Building on our already strong ESG foundations

Responsible business has always been intrinsic to our operating model – and will be key to our future

Our business model is highly aligned to ESG objectives

- Public transport proved to be critical long-term green infrastructure, as demonstrated through the pandemic
- We have a clear social purpose – we provide easy and convenient mobility, improving quality of life by connecting people and communities
- FirstGroup's ongoing operations are already low carbon and support modal shift from cars – and our zero-emission commitments will increase our EU Green Taxonomy eligibility year by year

Our key areas of focus during the year:

- Early adoption of the TCFD's reporting recommendations, disclosing our progress in helping to combat climate change and improve local air quality
- First UK bus and rail operator to formally commit to setting a Science-Based Target to reach net zero emissions by 2050 or earlier
- Committed to creating a more diverse and inclusive business in what has been a 'traditional' sector:
  - Our development programmes continue to increase the proportion of women in senior roles, from 23% in 2019 to 28% in 2021. Female proportion of the Board has increased to 36%
  - Signed up to 'Change the Race Ratio' commitments – taking action to increase racial and ethnic diversity and create an inclusive culture, with targets and action plans in development. Publishing first ethnicity pay gap report in FY22

Selected FirstGroup credentials and ratings:

CLEAN200™
Top 200 cleanest publicly-listed firms worldwide

FTSE4Good
98th percentile in sector
Constituent for 18 consecutive years

SUSTAINALYTICS
ESG risk: 'low', Ranked 14th of 323 in sector globally

S&P Global
ESG score in top 15% of the industry globally. Included in 2021 S&P Sustainability Yearbook

MSCI
'Leader' in managing ESG risks and opportunities, AA rating

ISS ESG
'ESG Prime' rating from ISS ESG – top decile

Dow Jones Sustainability Indexes
Consistently in the top quartile of global industry respondents

CDP DISCLOSURE INSIGHT ACTION
Longstanding participant in CDP

First

Delivering the strategy, unlocking the Group's potential

- **A significant year of delivery:**
  - Transformational sale of First Student and First Transit completed
  - Robust management of pandemic – and a resilient financial performance
  - Helped to shape the future of bus and rail provision in the UK alongside government and industry partners

- **Return of value increased to £500m or c.41p per share – with potential for additional future shareholder distributions**

- **Transformed company – UK public transport leader well-set on a path to creating sustainable long-term value:**
  - First Bus: most supportive policy/funding backdrop in decades and clear plans to deliver 10% margin
  - First Rail: balance of risk and reward totally transformed with the end of old revenue risk-based franchising model
  - Well-capitalised, c.£100m pro forma net debt, no longer encumbered by pension deficit repayments or any significant contingent liabilities
  - Cash generative operating model supports regular dividends commencing in 2022

Appendices

Rail-adjusted EBITDA and Rail-adjusted Profit After Tax measures

£m	FY21
Rail-adjusted EBITDA comprises:	
- First Bus EBITDA	84.5
- Non-contracted First Rail EBITDA	(8.9)
- Contracted Rail net attributable earnings[1] – Group's share of contracted rail fee income available for dividend distribution	42.3
- Group central costs (EBITDA basis)	(30.8)
	87.1
Rail-adjusted Profit After Tax comprises:	
- First Bus adjusted operating profit	36.6
- Non-contracted First Rail adjusted operating profit	(10.4)
- Contracted Rail net attributable earnings[1] – Group's share of contracted rail fee income available for dividend distribution	42.3
- Group central costs (op profit basis)	(34.7)
- Treasury interest[2]	(21.3)
- Tax	5.7
	18.2

- Medium term leverage target: adjusted net debt[3] less than 2.0x 'Rail-adjusted EBITDA'
- Subject to normalisation of trading conditions post-pandemic, targeting annual dividend around 3x covered by 'Rail-adjusted Profit After Tax'

[1] IAS 17 basis net of tax and minority interests
[2] Pro forma interest charge before notional interest and lease interest on IFRS 16 Right of Use assets
[3] 'Adjusted net debt' is bonds, bank and other debt net of free cash (i.e. excludes IFRS 16 lease liabilities and First Rail ring-fenced cash)

Financial results

£m	FY21	FY20	Reported change
Adjusted[1]			
Operating profit	**209.4**	256.8	(47.4)
Net finance costs	**(170.0)**	(146.9)	(23.1)
Profit before tax	**39.4**	109.9	(70.5)
Tax	**(4.2)**	(24.6)	+20.4
- Effective tax rate %	**10.7%**	22.4%	
Non-controlling interests	**(6.1)**	(2.6)	(3.5)
Attributable profit	**29.1**	82.7	(53.6)
EPS p	**2.4p**	6.8p	(4.4)p
Statutory			
Non-GAAP adjustments	**76.4**	(409.5)	+485.9
Operating profit/(loss)	**285.8**	(152.7)	+438.5
Net finance costs	**(170.0)**	(146.9)	(23.1)
Profit/(loss) before tax	**115.8**	(299.6)	+415.4
Tax	**(24.7)**	(25.0)	+0.3
Non-controlling interest	**(12.7)**	(2.6)	(10.1)
Profit/(loss) after tax	**78.4**	(327.2)	+405.6
EPS p	**6.5p**	(27.0)p	+33.5p

→ Additional lease costs under IFRS 16 for Avanti and new trains in GWR

→ Minority interests held by First Rail partners in SWR and Avanti

→ Includes Greyhound property profit, reversal of prior year Rail franchise impairments, strategy costs, self-insurance and other items – see p.34

[1] Before net adjusting items described on p.34

First

IFRS 16 (leases)

- As at 30 March 2020, £2.5bn of leased assets were recognised as Right Of Use assets on the balance sheet. Rail track access payments, leases of <1 year, low values excluded; no retrospective restatement

£m	FY21			FY20
	Under IAS17	IFRS 16 effect	**Under IFRS 16**	Under IFRS 16
Adjusted				
EBITDA	469.3	+700.2	**1,169.5**	1,108.9
Operating profit	156.3	+53.1	**209.4**	256.8
Net finance costs	(100.6)	(69.4)	**(170.0)**	(146.9)
PBT	55.7	(16.3)	**39.4**	109.9
EPS	3.3p	(0.9)p	**2.4p**	6.8p
Net debt	(775.8)	(1,850.0)	**(2,625.8)**	(3,260.9)

- IFRS 16 has a significant impact on headline credit ratios – headline net debt: EBITDA on an IFRS 16 basis was 2.2x (FY20: 2.9x)
- Adjusted net debt (excluding First Rail ring-fenced cash and IFRS 16 leases): EBITDA (pre-IFRS 16) was 3.0x (FY20: 2.4x)
- The Group's key banking covenants are calculated under 'frozen accounting standards'; on which basis net debt: EBITDA was 1.6x (FY20: 1.4x)

Divisional adjusted operating profit

	Revenue		Operating profit[1]		Operating margin[1]	
	FY21	FY20	**FY21**	FY20	**FY21**	FY20
£m						
First Bus	**698.9**	835.9	**36.6**	46.1	**5.2%**	5.5%
First Rail	**3,619.9**	3,203.7	**108.1**	70.4	**3.0%**	2.2%
Group items	**-**	-	**(32.5)**	(35.2)		
Continuing total	**4,318.8**	4,039.6	**112.2**	81.3	**2.6%**	2.0%
Greyhound (non-core)	**323.0**	603.2	**(10.3)**	(11.6)	**(3.2)%**	(1.9)%
Continuing and non-core total	**4,641.8**	4,642.8	**101.9**	69.7	**2.2%**	1.5%
First Student	**1,226.2**	1,940.4	**55.8**	158.8	**4.6%**	8.2%
First Transit	**977.0**	1,171.4	**51.7**	28.3	**5.3%**	2.4%
Discontinued total	**2,203.2**	3,111.8	**107.5**	187.1	**4.9%**	6.0%
Total Group	**6,845.0**	7,754.6	**209.4**	256.8	**3.1%**	3.3%
$m[2]						
First Student	**1,617.7**	2,474.9	**78.1**	205.9	**4.8%**	8.3%
First Transit	**1,277.4**	1,488.4	**69.1**	36.2	**5.4%**	2.4%
Greyhound	**422.6**	766.0	**(12.1)**	(15.3)	**(2.9)%**	(2.0)%
North America	**3,317.6**	4,729.3	**135.1**	226.8	**4.1%**	4.8%

[1] Before net adjusting items described on p.34
[2] US Dollar amounts include Canadian Dollars converted at the exchange rates prevailing in either period

Divisional EBITDA

	Revenue		EBITDA[1]		EBITDA margin[1]	
	FY21	FY20	**FY21**	FY20	**FY21**	FY20
£m						
First Bus	**698.9**	835.9	**100.8**	113.2	**14.4%**	13.5%
First Rail	**3,619.9**	3,203.7	**711.0**	540.2	**19.6%**	16.9%
Group items	**-**	-	**(29.0)**	(30.3)		
Continuing total	**4,318.8**	4,039.6	**782.8**	623.1	**18.1%**	15.4%
Greyhound (non-core)	**323.0**	603.2	**17.0**	35.3	**5.3%**	5.9%
Continuing and non-core total	**4,641.8**	4,642.8	**799.8**	658.4	**17.2%**	14.2%
First Student	**1,226.2**	1,940.4	**282.6**	387.6	**23.0%**	20.0%
First Transit	**977.0**	1,171.4	**87.1**	62.9	**8.9%**	5.4%
Discontinued total	**2,203.2**	3,111.8	**369.7**	450.5	**16.8%**	14.5%
Total Group	**6,845.0**	7,754.6	**1,169.5**	1,108.9	**17.1%**	14.3%
$m[2]						
First Student	**1,617.7**	2,474.9	**374.3**	496.7	**23.1%**	20.1%
First Transit	**1,277.4**	1,488.4	**115.3**	80.0	**9.0%**	5.4%
Greyhound	**422.6**	766.0	**23.3**	44.0	**5.5%**	5.7%
North America	**3,317.6**	4,729.3	**512.9**	620.7	**15.5%**	13.1%

[1] Adjusted operating profit less capital grant amortisation plus depreciation
[2] US Dollar amounts include Canadian Dollars converted at the exchange rates prevailing in either period

Discontinued operations performance

First Student and Transit delivered resilient financial results, demonstrating their industry leadership

First Student

- Revenue recoveries negotiated with most customers in response to widespread school closures due to the pandemic
- Cost reductions and other actions also mitigated impact
- Schools adopted a range of approaches; by early June 87% of buses were operating either full service or hybrid basis
- Revenue reduced by $857m with adjusted op profit impact limited to $128m
- Summer 2021 bid season: 88% contract retention on ‘at risk’ business; 95% across total portfolio
- Cash flow positive with working capital inflows and capex/other deferrals, which will reverse under buyer’s ownership and were reflected in agreed net disposal proceeds

First Transit

- Relatively high percentage of contracts where service levels were maintained despite lower volumes – revenue (14)%
- Adj. op profit increased – revenue impact offset by:
  - Variable and fixed cost savings, other management action including use of appropriate fiscal support
  - Some contractual variations with customers
  - Non-recurrence of prior year legal judgment costs
- 89% retention on ‘at risk’ contracts and 20 new business wins:
  - Key retentions: Met Council, Minnesota; New Jersey Transit, City of Pasadena
  - ‘Traditional’ business wins: Pinellas Suncoast, Access Services
  - Lyft wheelchair accessibility expansion to further cities
- Cash flow positive with working capital inflows and capex/other deferrals, which will reverse under buyer’s ownership and were reflected in agreed net disposal proceeds

Net adjusting items

£76.4m of net adjusting items in year, mainly reflecting property sales and writeback of rail provisions

£m	FY21	FY20
Amortisation charges	(4.1)	(4.9)
TPE termination sum net of impairment reversal	86.1	-
SWR termination sum net of impairment reversal	9.6	-
Profit on Greyhound property disposals	71.1	1.3
Profit on Student property disposals	-	8.0
Restructuring and reorganisation	(37.1)	(58.2)
North America insurance provisions	(32.2)	(141.3)
Impairment of UK land and buildings	(16.6)	-
Ineffectiveness on fuel hedges and derivatives	(0.4)	-
Greyhound impairment	-	(186.9)
Student losses on onerous contracts	-	(14.1)
Fuel over hedge	-	(7.4)
Transit legacy pension settlement	-	(4.9)
Increase in SWR performance bond	-	(1.1)
Other non-GAAP adjusting items	80.5	(404.6)
Total non-GAAP adjustments	76.4	(409.5)

Rail termination sums net of impairment reversals

- Follows agreement of all rail franchise termination sums during year

Profit on sale of properties

- Includes the three major Greyhound disposals announced in December 2020 for gross proceeds of $137m or c.£102m
- Book value of remaining Greyhound property $78.6m at year end

Restructuring and reorganisation

- Principally costs incurred in preparation for sale of First Student and First Transit

North America self-insurance provisions

- Increases mainly in First Student and First Transit to reflect further hardening of the auto liability insurance market, partially offset by change in discount rate

First

Pro forma balance sheet

£m	FirstGroup consolidated (27 March 21)	Adjustment for Student and Transit	Student and Transit proceeds	Transaction fund flows	Greyhound liability de-risking	Short term capital requirements	Pro forma Retained Group
Non-current assets	5,484	(2,852)	-	-	-	-	**2,632**
Current assets	1,290	(568)	116	117	-	-	**955**
Total assets	**6,774**	**(3,420)**	**116**	**117**	**-**	**-**	**3,587**
Current liabilities	(2,241)	465	-	-	21	117	**(1,638)**
Non-current liabilities	(748)	287	-	220	122	-	**(119)**
Total liabilities	**(2,989)**	**752**	**-**	**220**	**143**	**117**	**(1,757)**
Net assets	**3,785**	**(2,668)**	**116**	**337**	**143**	**117**	**1,830**
Analysis of net debt:							
Bonds	(873)	-	-	675	-	-	**(198)**
CCFF, bank loans, overdrafts	(1,117)	-	-	1,117	-	-	**-**
Other gross debt pre-IFRS 16	(283)	220	-	1	-	-	**(62)**
Cash excluding ring-fenced cash	859	-	2,256	(2,695)	(143)	(117)	**160**
Net cash / (debt) (pre-IFRS 16 and ring-fenced cash)	**(1,414)**	**220**	**2,256**	**(902)**	**(143)**	**(117)**	**(100)**
Ring-fenced cash	638	-	-	-	-	-	**638**
IFRS 16 lease liabilities	(1,850)	127	-	-	-	-	**(1,723)**
Net debt (post-IFRS 16 and ring-fenced cash)	**(2,626)**	**347**	**2,256**	**(902)**	**(143)**	**(117)**	**(1,185)**
Group items	11	-	-	-	-	-	**11**
Current and deferred income tax	(16)	37	-	-	-	-	**21**
Total net assets	**1,154**	**(2,284)**	**2,372**	**(565)**	**-**	**-**	**677**

Key assumptions:

- First Transit earnout carrying value of $140m (£102m), based on prudent discounted cash flow modelling
- All outstanding Group debt repaid apart from £200m 2024 bond, £44m in First Bus leases and £18m Greyhound leases
- UK pension payment represents payment of £220m in cash and £117m transfer into escrow
- £500m return of value assumed
- Greyhound de-risking plans assume $197m (£143m) requirement in FY22

First

Greyhound net asset value (pro forma for de-risking)

	27 March 2021 as reported ($m)	27 March 2021 as reported (£m)	Pro forma FY21 ($m)	Pro forma FY21 (£m)
Non-current assets	208.0	150.8	208.0	150.8
Net current assets (ex pensions, self-insurance, leases below)	(15.4)	(11.1)	(15.4)	(11.1)
Finance leases included in net debt	(24.6)	(17.8)	(24.6)	(17.8)
IFRS 16 right of use assets	28.0	20.3	28.0	20.3
IFRS 16 lease liabilities included in net debt	(94.2)	(68.3)	(94.2)	(68.3)
	101.9	73.9	101.9	73.9
Legacy pension deficit (IAS 19 basis)	(144.2)	(104.7)	(48.2)	(34.9)
Legacy self-insurance provision	(151.4)	(109.8)	(50.5)	(36.6)
	(193.9)	(140.6)	3.3	2.4

- The pro forma balance sheet on p.35 includes Greyhound liability de-risking funds flows of $197.2m (£143m). The actual position will be dependant on cost when the de-risking takes place
- Included in non-current assets is real estate with net book value of $78.6m (£57.0m) and fair value of $210.0m (£152.3m). The difference is an uplift of £95.3m
- Included in current assets is 5311(f) receivable of $66.9m (£48.5m)

Current diesel hedge position

	UK		
	FY22	FY23	FY24
Annual volume (barrels 'm)	1.7m	1.8m	1.7m
% hedged	44%	17%	1%
Crude rate ($/barrel)	$61.24	$55.03	$62.08
Diesel rate ($/barrel)	$72.59	$64.26	$68.16
Equivalent cost per litre	34.1p	30.2p	31.3p

	First Bus	First Rail	Greyhound	Total
Annual volume (barrels 'm)	0.7m	1.0m	0.4m	**2.1m**

- Prices include crude and refining cost but exclude delivery margins, duty, taxes and BSOG
- Equivalent cost per litre reflects FX hedges placed at $1.35, $1.34 and $1.32 : £1.00 in FY22 to FY24
- North American hedges transfer with the sale of First Student and First Transit. Greyhound's fuel exposure is unhedged because its competitors (passenger cars and airlines) – do not hedge their fuel exposure, so Greyhound's pricing is responsive to fuel price changes

Foreign exchange

- Higher US Dollar compared to March balance sheet date:

	27 March 2021	30 Sep 2020	31 Mar 2020
Closing rate for the balance sheet US$	**$1.38**	**$1.27**	$1.25
Closing rate for the balance sheet CAN$	**$1.74**	**$1.71**	$1.74

- Exchange rates comparable to prior period effective rate:

	FY21	Six months to 30 Sep 2020	FY20
Effective rate US$ earnings	**$1.39**	**$1.30**	$1.29
Effective rate CAN$ earnings	**$1.75**	**$1.72**	$1.72

- "Certain” and "highly probable" foreign currency transaction exposures may be hedged at the time the exposure arises for up to two years at specified levels, or longer if there is a very high degree of certainty. The Group does not hedge the translation of earnings into the Group reporting currency (pounds Sterling), but accepts that reported Group earnings will fluctuate as exchange rates against pounds Sterling fluctuate for the currencies in which the company does business. During the year, the net cash generated in each currency may be converted by Group Treasury into pounds Sterling by way of spot transactions in order to keep the currency composition of net debt broadly constant

Net finance costs and taxation

Net finance costs, £m	FY21	FY20
Bonds	**55.8**	56.5
Bank borrowings	**15.7**	18.5
Loan notes	**0.1**	1.2
CCFF (commercial paper)	**2.0**	-
Supplier financing	**3.0**	1.2
Senior unsecured loan notes	**9.1**	9.2
Lease interest	**73.1**	42.6
Notional interest on long-term provisions	**3.8**	11.8
Notional interest on pensions	**9.0**	8.6
Notional interest – other	**0.4**	-
Investment income	**(2.0)**	(2.7)
Net finance costs	**170.0**	146.9

Taxation, £m	FY21	FY20
Current tax	**22.7**	0.5
Deferred tax	**2.0**	24.5
Tax charge	**24.7**	25.0
Tax paid	**4.5**	2.9
Tax rate on adjusted profit before tax %	**10.7%**	22.4%

Total capital expenditure and acquisitions

£m	Cash		Fixed asset / software additions (including acquisitions)	
	FY21	FY20	**FY21**	FY20
First Student	**50.6**	193.0	**174.0**	256.8
First Transit	**16.2**	18.8	**20.2**	16.7
Greyhound	**14.9**	38.8	**5.7**	44.1
First Bus	**30.1**	30.1	**24.0**	46.3
First Rail	**116.5**	115.7	**118.6**	123.1
Group items	**0.2**	2.7	**-**	2.7
Total	**228.7**	399.1	**342.5**	489.7

- In addition, during the year we entered into leases with capital values in First Student of £37.5m (FY20: £75.1m), First Transit of £17.0m (FY20: £13.8m), Greyhound of £9.0m (FY20: £21.3m), First Bus of £4.6m (FY20: £6.3m) and Group items £0.3m (FY20: £0.4m)
- Rail TOC capex is consolidated in the accounts but is fully funded under emergency arrangements and the new National Rail Contracts
- Schedule excludes IFRS 16 leases

[1] Service costs excluding interest for defined benefit schemes

Pensions

£m	Deficit			Cash contributions			P&L charge[1]		
	Mar 21	Mar 20	Mar 19	**FY21**	FY20	FY19	**FY21**	FY20	FY19
North America	**(129.4)**	(218.5)	(164.4)	**34.1**	20.6	27.2	**9.5**	8.7	11.1
First Bus	**(163.6)**	(92.6)	(139.7)	**44.0**	37.8	43.1	**9.1**	10.7	34.8
First Rail	**(3.3)**	(2.3)	(3.1)	**56.9**	45.6	38.6	**57.2**	45.7	38.7
Total	**(296.3)**	(313.4)	(307.2)	**135.0**	104.0	108.9	**75.8**	65.1	84.6

- First Bus Scheme 2019 valuation was finalised in H1, reducing the period for reaching full funding on a Technical Provisions basis to an expected 10 yrs. A framework for reaching a long-term funding target while progressively de-risking was also agreed with the trustees. An increase in cash contributions was agreed in order to achieve this target
- Aberdeen LGPS 2020 valuation finalised in H2, with a surplus remaining after having insured the pensioner obligations (c.65% of total liabilities)
- Group Scheme funding valuation (as at 5 April 2021) is in progress. A Bus Scheme valuation is also underway in anticipation of a settlement in respect of the sale of First Student and First Transit. Both schemes are currently supported by parent company guarantees
- English LGPS valuation will be carried out with effect from 31 March 2022. Only a small number of active members remain in the LGPS schemes sponsored by the First Bus division
- Discussions as to the long-term funding of the Rail Pension Scheme are ongoing with the Pensions Regulator and DfT as part of the Rail Industry Reform Group project

[1] Service costs excluding interest for defined benefit schemes

Rail contingent capital for new NRCs

The Group's share of contingent capital for both SWR and TPE NRCs total £15m (50% bonded), with limited routes for this to be called upon mainly in the event of early termination of the contracts

£m	SWR (70% share of JV)	TPE
Early Termination Indemnity (ETI)	4.2	5.0
Guarantor Support Facility (GSF)	4.2	1.6
Contingent capital under NRCs	**8.4**	**6.6**

- **ETI (50% bonded)** – can be called (i) on early termination of the NRC by the TOC, to reimburse DfT costs, expenses; or (ii) if, following early termination, affiliate contracts do not transfer to Operator of Last Resort (OLR) as required under NRC, and OLR has to pay extra for goods/ services
- **GSF (50% bonded)** – Guarantor (parent company) must make an advance if: (i) early termination of NRC for Event of Default and there are costs/expenses which are not covered by ETI; (ii) TOC's annual losses are greater than fixed fee; (iii) from expiry of the NRC to the final settlement of payments between the TOC and DfT if the TOC's liabilities exceed its assets
- The Group will also remain obliged under its contingent capital commitments for the SWR and TPE franchise agreements until the relevant bonds expire in December 2021 (for TPE) and October 2022 (for SWR), plus the TPE parent company support remaining after payment of the termination sum, until final settlement of any net assets or liabilities between TPE and the DfT relating to the previous franchise period
- **Season ticket bonds** are required for a limited period until a new approach is agreed with the DfT

First

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